

## Message Text

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ORIGIN EA-14

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 HEW-08 SS-20 NSC-07

DODE-00 PA-04 USIA-15 PRS-01 /149 R

DRAFTED BY EA/RA:RWALKINSHAW:JG

APPROVED BY EA/RA:RMARTENS

EA/ANP:JKNOWLES

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FM SECSTATE WASHDC

TO AMEMBASSY CANBERRA

INFO AMCONSUL MELBOURNE

C O N F I D E N T I A L STATE 194458

E.O. 11652: GDS

TAGS: ELAB/PINT

SUBJECT: THC SECRETARY STONE IDENTIFIES INFLATION AS  
CAUSE OF LABOR GOVERNMENT/TRADE UNION DIFFERENCES

1. KEN STONE, SECRETARY OF THE TRADES AND LABOR COUNCIL  
IN MELBOURNE, WAS IN WASHINGTON FOR TWO DAYS (SEPTEMBER  
3-4) PRIMARILY TO CONSULT WITH PEOPLE ASSOCIATED WITH THE  
TREATMENT OF ALCOHOLISM. HE MANAGED TO SET ASIDE 45  
MINUTES OUT OF WHAT WAS A HEAVY SCHEDULE TO CHAT WITH  
DEPARTMENT OFFICERS ABOUT SOME OF THE PROBLEMS CURRENTLY  
BESETTING AUSTRALIA.

2. STONE IDENTIFIED INFLATION AS THE NUMBER ONE PROBLEM  
IN AUSTRALIA. HE WAS SEVERELY CRITICAL OF OLD-LINE CIVIL  
SERVANTS IN TREASURY, ON WHOSE SHOULDERS, HE SAID, BELONGS  
MOST OF THE BLAME FOR WHAT HE CALLED A "BLOODY MESS"  
AND FOR ADVANCING ECONOMIC POLICIES WHICH NOT ONLY FAILED  
TO ARREST INFLATION BUT CREATED MORE AND MORE UNEMPLOYMENT.

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3. WHEN ASKED IF HE THOUGHT THE TRADE UNIONS WERE HEADED FOR A SHOWDOWN WITH THE HIERARCHY OF THE LABOR GOVERNMENT, STONE IMPLIED THAT THIS IS INEVITABLE UNLESS IMMEDIATE STEPS ARE TAKEN TO CONTROL INFLATION. HE SAID THE TRADE UNIONS DID NOT WISH TO EMBARRASS THE LEADERSHIP OF THE PARTY BUT, SINCE THEIR FIRST RESPONSIBILITY IS THE WELFARE OF THEIR MEMBERS, THE UNIONS MUST

NECESSARILY IGNORE WAGE RESTRAINT PLEAS FROM CANBERRA AND INSIST UPON WAGE INCREASES TO OFFSET RISING PRICES.

4. STONE CAME DOWN HARD ON LABOR MINISTER CAMERON, CLAIMING HE SHOOTS FROM THE HIP AND FAILS TO CONSULT WITH UNION LEADERS PRIOR TO ANNOUNCING POLICIES WHICH HAVE A DIRECT EFFECT ON THE WORKERS THEY REPRESENT. STONE SAID THAT CAMERON, WHOM HE APPLAUDED FOR HIS DYNAMISM, TOO OFTEN ANNOUNCES POLICY RIGHT OFF THE TOP OF HIS HEAD. THIS, TOO, ACCORDING TO STONE, IS CAUSING TRADE UNION LEADERS TO LOOK ASKANCE IN THE DIRECTION OF CANBERRA.

5. STONE SAID HE IS WORRIED ABOUT THE FUTURE OF THE LABOR PARTY. HE SAID THAT IF THE ELECTION WERE HELD TODAY, THE PARTY WOULD SUFFER A HUMILIATING DEFEAT. HE BELIEVES WHITLAM HAS HAD IT AND THAT HE APPEARS TO HAVE LOST HIS INTEREST IN THE AFFAIRS OF GOVERNMENT. THIS LED TO A QUESTION ABOUT ACTU PRESIDENT HAWKE'S POLITICAL PLANS. STONE SAID THAT HAWKE VERY DEFINITELY HAS POLITICAL AMBITIONS, MAKING THE POINT THAT HAWKE WILL NOT BE SATISFIED WITH JUST A SEAT IN THE LOWER HOUSE. HAWKE, HE SAID, REQUIRES A POSITION WHICH IS INTELLECTUALLY STIMULATING AND CHALLENGING. STONE THOUGHT THAT EITHER THE WHITLAM OR CAIRNS POSITION WOULD SATISFY HAWKE'S AMBITIONS.

6. STONE SUMMED UP THE SITUATION BY EXPRESSING CONFIDENCE THAT THE LABOR GOVERNMENT AND THE TRADE UNIONS COULD RECONCILE THEIR DIFFERENCES IF THEY WOULD SIT DOWN, TALK THEM OUT, AND STOP WASHING THEIR DIRTY LINEN IN PUBLIC. KISSINGER

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